

News Release



Controller of the State of California - Kathleen Connell

300 Capitol Mall, Suite 1850
Sacramento, California 95814

Contact: Byron Tucker, Susie Wong (916) 445-2636

FOR IMMEDIATE RELEASE

CONNELL RELEASES IMPROVED "SMARTER" PLAN TO INCREASE LOCAL GOVERNMENT FUNDING

SMARTER Proposal Would Boost Los Angeles County Area Income By \$168.9 Million
Enhanced Report Includes Detailed Formula for Allocations to Counties and Cities

SACRAMENTO, December 29, 1999 -- State Controller Kathleen Connell today announced that the Los Angeles County area stands to gain \$168.9 million annually under the State Municipal Advisory Reform Team: *Enhanced Report* (SMARTER) plan for restructuring local government finance. The plan, released today, is a follow-up to the State Municipal Advisory Reform Team (SMART) task force study released in August.

Dialogues between the Controller's Office, the League of California Cities, the California State Association of Counties, and numerous business and community leaders prompted requests for a specific allocation formula. The SMARTER plan result is the first, and only, report of its kind that provides a quantifiable formula for equitable intra-county revenue allocation and specifically details the fiscal impact to the state and California's cities and counties.

"As we enter a new millennium, California is experiencing unparalleled economic growth, and the budget surplus continues to increase. However, while the state is enjoying a period of unprecedented prosperity, local governments continue to suffer from funding inequities caused by the imbalance between state and local government financing," said Controller Connell. "The SMARTER plan would generate as much as \$4.5 billion in additional revenue for local governments over a ten-year period. This plan works, and it works without raising taxes. California's cities and counties come out winners."

The SMART report was the result of six months of intense analysis and proposed the following recommendations:

1. Restructure state and local property and sales taxes by placing a cap on the state's diversion of property tax revenues and apportioning future local sales taxes on a per capita basis;
2. Eliminate "unfunded" state mandates to municipalities; and
3. Improve the efficiency and effectiveness of government programs.

One facet of the SMART plan called for the intra-county reallocation of sales tax revenues to mitigate some cities' initial losses as a result of shifting revenues to a population basis. Originally, the task force encouraged city and county officials to determine their own reallocation formula and recommendation for distribution.

However, Connell noted that, "There was a clear consensus among interested parties, that we should develop an intra-county reallocation formula that could be written into law. They challenged us to assure that arbitrary allocations could not occur at the local level, and we met that challenge."

In a letter to California's state and local elected officials, Connell outlined her SMARTER proposal, which would deliver a net statewide increase in tax revenues for cities and counties. Importantly, SMARTER holds harmless cities and counties, and ensures that they all benefit from a "win-win" solution.

"California's current economic prosperity provides a unique opportunity for the state to reverse the annual flow of property tax diversions and return these revenues to the local communities," said Connell. "Local governments cannot continue to provide vital local services without a dedicated source of stable funding. The time has come for local communities to reap the benefits of California's thriving economy and receive a guaranteed funding floor, similar to California's schools."

SMARTER includes detailed tables approximating the allocations every city and county in California would receive. Connell added, "This plan is the most detailed to date, and the first to provide concrete numbers and formulas for objective and quantifiable evaluation."